

VZCZCXRO5638
RR RUEHFL RUEHKW RUEHLA RUEHROV RUEHSR
DE RUEHNC #0650/01 2201352
ZNY CCCCC ZZH
R 071352Z AUG 08
FM AMEMBASSY NICOSIA
TO RUEHC/SECSTATE WASHDC 9045
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE
RUEHIT/AMCONSUL ISTANBUL 1133
RUEAIIA/CIA WASHDC
RUCNDT/USMISSION USUN NEW YORK 1192
RUEHBS/USEU BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 04 NICOSIA 000650

SIPDIS

DEPT FOR EUR/SE

ANKARA PLEASE PASS TO ADANA

E.O. 12958: DECL: 07/29/2018

TAGS: [PREL](#) [PGOV](#) [TU](#) [CY](#)

SUBJECT: TURKISH CYPRIOTS DIVIDED ON EVE OF NEGOTIATIONS

REF: A. NICOSIA 558

[1](#)B. NICOSIA 531

Classified By: Ambassador Ronald L. Schlicher for Reasons 1.4(b) and 1.4(d).

1.(C) Summary and Introduction: The following message provides a snapshot entree into the present state of "TRNC" politics, society and finances one month before the September 3 start of full-fledged Cyprus negotiations. Up for examination are the motives and moods of each of the major actors, excerpted below:

-- Turkish Cypriot (T/C) Leader Talat: Talat, relieved and strengthened by the political survival of Turkish Prime Minister Erdogan, his main supporter in Turkey, is still wary of Greek Cypriot (G/C) Leader Demetris Christofias's commitment to a jointly-acceptable solution in the face of a conservative G/C electorate.

-- "Ruling" Republican Turkish Party (CTP): Hampered by mismanagement, a weakening economy, and a yawning budget deficit, the CTP "government" is in desperate need of a budgetary infusion from Ankara to avert possibly ruinous early elections. Party base may be more favorably disposed to Christofias than is CTP leadership or Talat.

-- "Man in the street": Threatened by a sharp economic downturn and leery of yet another round of talks, the average Turkish Cypriot, nevertheless, seems willing to give Talat a chance provided a solution brings tangible benefits and ensures security.

-- T/C Rightist Opposition: Led largely by the Denktashian National Unity Party (UBP), it rejects the present UN-brokered process as inadequate and favors a confederal solution -- a non-starter for G/Cs. It is riven by internal division, however.

-- T/C Pro-solution Leftist Opposition: Ready to call demonstrations on a moment's notice, the Left's most vocal core -- small parties and trade unions -- may be marginalized by their barely-concealed enmity towards Talat and seeming coziness with Christofias. They are effective, however, in blocking "government" attempts at budget-cutting. End Summary and Introduction.

Talat: Calmed and Strengthened by Survival of Erdogan

[1](#)2. (C) The political survival of the Turkish PM will calm and embolden the majority of solution-minded T/Cs as much as it will distress naysayers, such as Rauf Denktash. Many of Talat's top advisers believe that Erdogan, even more so than

Turkish President Gul or AKP, is the pro-solution engine driving Turkey's "one step ahead" policy. They saw the reunification process grinding to a slow crawl without Erdogan, even with an AKP-successor party in power. Hasan Ercakica (please protect), Talat's press spokesman and confidante, told us that, at a dinner in Ankara after Christofias's February 2008 election, only Erdogan, aside from the Turkish Cypriots, genuinely welcomed the election of a pro-solution G/C leader, while others at the table hemmed and hawed over how to continue to portray the Greek Cypriots as intransigent. During a July 29 farewell meeting, "PM" Ferdi Sabit Soyer told the Ambassador that Erdogan had even told him when they met on July 19 to continue negotiations no matter what happened in Turkey.

13. (C) Consequently, the value of Erdogan's strong show of political support during his July 18-20 visit (ref A) -- for both Talat and the on-going UN-brokered process -- will only increase now that the PM has emerged relatively unscathed from the closure case. The court verdict may also raise expectations from T/C pro-solutionists for further support from Ankara. Basaran Duzgun, news editor of the main circulation daily "Kibris," wrote July 31 that AKP now had to "roll up its sleeves" to get to work on solving th CyProb. More worryingly, Hasan Hasturer, also writing in "Kibris," surmised that those unsatisfied with the non-closure of AKP will switch to attacking solution efforts on Cyprus.

But Still Wary of Christofias

14. (C) While we hope, as UNFICYP told us on July 25, that the "chemistry" between the two leaders is back, a palpable mistrust still pervades Turkish Cypriot thinking regarding

NICOSIA 00000650 002 OF 004

Christofias. Many in the CTP leadership still blame him for his AKEL party's last-minute rejection of the 2004 Annan Plan. Now they question his ability to compromise once the real negotiations start, especially over thorny issues like guarantees and property, since, as Talat told A/S Fried, the President does not really "need a solution (ref B)." Talat's private secretary, Asim Akansoy, dubbed Christofias "greedy" for constantly demanding concessions -- like the July 1 statement on single sovereignty -- to mollify G/C hardliners without helping Talat with his own powerful naysayers. Many also worry that, absent an "awakening" in G/C consciousness regarding power-sharing, Christofias, no matter how noble his intentions, will not be able to sell a solution to the G/C electorate.

CTP: Crippled by Mismanagement and Economic Downturn

15. (SBU) Buffeted by a declining GDP (negative 2.1 percent) in 2007 and even worse expectations this year, sky-rocketing commodity prices, and a lingering drought, the CTP "government's" budget is under such a strain that it struggles to meet its monthly payroll -- and that is only the public version that "Finance Minister" Ahmet Uzun told to a mass-circulation daily. Forty percent of the budget, according "PM" Ferdi Sabit Soyer, goes for social transfer payments and salaries in the bloated state sector. The "Undersecretary of Finance" confided to us that "government" has burned through its entire fuel and electricity price stabilization fund for the year. Officials expect a 2008 budgetary shortfall of around US\$168 million.

16. (C) "Government" efforts to rein in spending, the latest a feeble attempt in July to rejigger COLA recalculation from six times yearly to twice, were met with a successful one-day general strike in which even pro-CTP trade unions took part. The "government" beat a quick retreat, then hit Erdogan up for funds during his July visit, pleading with him to move money from Turkish-financed infrastructure projects to the current budget. The inability of the government to develop a domestic "TRNC" response to the budget shortfall highlights the utter dependence of both the "government" and the economy on continued inflows of loans, grants, direct investment, and tourism from Turkey.

¶7. (C) CTP General Secretary Omer Kalyoncu told us that the government could not make it much past December without new funds and would, most likely, need to call early elections, which are now scheduled for February 2010. Turkey might not move the cash, however, especially since our T/C contacts said that Ankara had pushed for both the COLA restructuring and for "state" employees and pensioners to lose their beloved "thirteenth-month" holiday bonus -- a non-starter for the CTP. Another party insider, Unal Findik, confided that the government could hobble along until December thanks to a slew of new fees and taxes, but needed \$120 million to pay the bonus. "PM" Soyer told the Ambassador that Turkey had agreed to transfer USD 25 million from the capital projects account to the current budget, woefully short of the total the "government" needs. Another Talat insider, Press Spokesman Hasan Ercakica, told us that most likely Turkey will parcel out cash payments so as to try to wring out some cost-saving measures without letting the "government" fall. But Party Base More Trusting of AKEL and Christofias

¶8. (C) Teberruken Ulucay, a liberal CTP deputy, said that while the party's old guard -- Talat and company -- is indeed suspicious of Christofias's aim, the party's grass roots, who will be responsible for getting out the "yes" vote in any settlement referendum, still have trust in the G/C leader and AKEL. Some of the CTP leadership may be adopting this position as well. "PM" Soyer told the Ambassador on July 29 that Christofias had begun to speak publicly and frankly on what federalism means. No other Greek Cypriot leader had dared lean so far forward before, even during the Annan Plan run-up. CTP Central Committee member Findik, reflective of the party's rank and file, has praised Christofias's remarks on federalism and power-sharing as well.

T/C Man in the Street: "Wait and See" Attitude"

¶9. (C) Most Turkish Cypriots appear disinterested in the present negotiating process, a sharp contrast to the excitement of the Annan Plan period. Buffeted by a weakening economy and still suspicious of G/C intentions after the rejection of Annan, they have, according to Mehmet Cakici, the head of the pro-solution Social Democratic Party (TDP), adopted a "wait and see position." Even Sami Ozuslu, a

NICOSIA 00000650 003 OF 004

columnist in the CTP-mouthpiece "Yeni Duzen" and a party Central Committee member, told us that society is simply, as yet, not "focused on a solution."

¶10. (C) Nevertheless, most of our pro-solution contacts claim that public interest and support will increase once negotiations start despite present apathy and wide-spread support for a two-state solution. Ozuslu said that people will tune in once they start seeing deliverables that will improve their lives. CTP General Secretary Omer Kalyoncu warned that, even during Annan, active agitation and rallies only really started two months before the dual referenda on April 24, 2004. While not promising a repeat of that fervor, Kalyoncu said that CTP still had the grass roots organization to get out a "yes" vote, provided the solution's substance allowed it to be "packaged" and "sold."

Rightist Opposition: "Anything Short of Sovereignty Won't Satisfy"

¶11. (C) The right-wing T/C opposition, which garnered about 45 percent of the vote in 2005 elections and has hopes to gain power this time around, rejects the present UN-brokered process as gravely flawed. Tahsin Ertugruloglu, the chair of the main opposition National Unity Party (UBP), told us that "anything short of two sovereign constituent states coming together (presumably in a confederal model) won't satisfy me." He was livid that Talat had agreed to a "single sovereignty" for the unified island, even in principle, on July 1. Serdar Denktash, chairman of the Democrat Party (DP), dubbed Christofias a "sympathetic Papadopoulos,"

implying that the RoC leader's softer exterior concealed harder-line, more traditional G/C views.

¶12. (C) The conservative opposition clearly uses its ties with the Turkish military, MFA, and illiberal elements in the Turkish media to batter Talat and Erdogan. Despite its vitriol, the conservative opposition has little direct influence on the process, however, since negotiations are tightly controlled by "President" Talat and the "Palace" -- a legacy of former T/C leader Rauf Denkash. Moderate UBP "deputy" Hasan Tacoy even told us that the opposition had "zero input" into the negotiations and was, in general, not even very well-informed about what was going on.

¶13. (C) Despite the opportunity afforded by five years of CTP mismanagement, the right is undermined by internal division (in UBP's case) or a feckless public image (DP). The latter party, for example, tried to resign from "Parliament" in January 2008 after a comic 15-month boycott, but was outfoxed by CTP, which still has not accepted the party's resignation petition in order to avoid potentially damaging by-elections. Dervis Eroglu, the former long-time UBP chairman and hardliner, plans to challenge Ertugruloglu at the upcoming December 2008 UBP congress in what will be a bloody slugfest.

Leftist Opposition: "Talat No Longer Equals Solution"

¶14. (C) A handful of parties to the left of CTP, which together received about eight percent of the vote in 2005 elections, have teamed up with activist trade unions to form the largely ineffectual "Peace Platform" movement -- ostensibly an effort to push Talat away from Turkey and towards a "Cypriot Solution." Moreover, the group, especially its trade union component, has moved to block every CTP attempt to reform public finances. Despite its good intentions regarding the Cyprus Problem, the group is characterized by open hostility toward Ankara, near xenophobic fear of "Turkish settlers," and blind anger at Talat. Cakici joked that "Talat no longer equals a solution," a spoof on the T/C leader's 2005 "Presidential" campaign slogan. Izzet Izcan, the chairman of the United Cyprus Party (BKP), complained to us that, "according to the Turkish mentality, all of this (Cyprus) is Turkish."

¶15. (C) Nevertheless, the Peace Platform's stridency may prove its political undoing. Even Cakici, the most serious member of the group, complained to us that, for some members, opposing Talat is a goal in itself. He has begun to publicly support Talat's negotiation efforts, and confided to us he was thinking of leaving the platform.

And In Closing:

NICOSIA 00000650 004 OF 004

¶16. (C) Comment: The black cloud that had been hovering over the heads of pro-solution Turkey Cypriots since the filing of the AKP closure case dispersed on July 30. The importance of Erdogan's political survival for Talat and other CTP pro-solutionists cannot be underestimated, especially in light of the Turkish PM's full-court show of support, both for Talat and for the UN-brokered process, during his July 18-20 visit to the island. And while we still expect sniping from the Father Denktash and Deep State types here, for the moment, the momentum is with Talat. Nevertheless, another storm is approaching, this time in the form of the cash-strapped and bureaucratically inept "TRNC government," which faces a souring economy and no political will to tackle a crippling government deficit. Absent a new hand-out from Ankara, the CTP "government" will, most likely, be forced to slash social transfer payments and face strikes and unrest, or go to early elections. The latter outcome risks bringing the rejectionist UBP or a weak, fractious coalition to power, boding badly for Cyprus Problem negotiations. While we deplore the "TRNC's" profligacy and urge sound finances and

reform at every opportunity, we are somewhat puzzled by Ankara's seeming new-found budget-cutting zeal at such a crucial moment.

SCHLICHER